UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEBRASKA

In Re:	)	Case No. ______________
	)	
SANITARY AND IMPROVEMENT	)	
DISTRICT #476 OF DOUGLAS	)	DISCLOSURE STATEMENT
COUNTY, NEBRASKA,	)	
	)	
Debtor.	)	

I. INTRODUCTION

Sanitary and Improvement District #476 of Douglas County, Nebraska (the “District” or the “Debtor”), pursuant to 11 U.S.C. §901 et. seq. and 11 U.S.C. §1125, makes and provides this Disclosure Statement to all parties in interest in this case for the purpose of providing such parties with information which the District considers adequate to enable such parties, according to their claims and interests, to make an informed judgment regarding the District’s Plan of Adjustment, (the “Plan”) and on the basis thereof to exercise the voting rights provided them under the Plan and the provisions of Chapter 9 and the applicable provisions of Chapter 11 of the United States Bankruptcy Code (the “Code”).

II. USE AND PURPOSE OF DISCLOSURE STATEMENT

The purpose of this Disclosure Statement is to allow the creditors of the District to better understand the matters surrounding the bankruptcy of the District. The Disclosure Statement outlines the history of the District, its operations and its financial status.

The historical information contained in this Disclosure Statement is based upon the records of the District. The facts set forth in this Disclosure Statement have been compiled from the most reliable sources available. While the District does not guarantee the accuracy of all information contained herein, it has used its best efforts to provide the most reliable information available in this Disclosure Statement.

Perhaps more important than the background information set forth in the Disclosure Statement are the forward-looking projections for the District's operations. These include projections for the future of the District and the ability of the District to repay its creditors through the Plan. The projections and assumptions regarding the future operations of the District are based upon the information currently available and are believed to be reasonable. However, these projections are subject to market forces and other variables which cannot be fully predicted. Therefore, the projections are not intended as and should not be viewed as a guaranty of the assumptions they are based upon or a guaranty of the financial outcome of the Plan.

The information and projections contained within this Disclosure Statement should be carefully reviewed. It may be advisable for a creditor of the District to consult with his or her investment, tax, and/or legal advisor. An understanding of the information set forth in this Disclosure Statement will provide the necessary background for the creditors of the District to make an informed decision regarding the Plan.

For additional information, please see the Disclaimer attached as Exhibit "A".

III. BACKGROUND

In order to properly understand the operations of the District, this section of the Disclosure Statement will provide general information regarding a sanitary and improvement district ("SID") and specific information regarding the District. While not all information applying to SIDs generally may apply to the District, the general information is provided as a context for the District's current operations.

A. **General SID Overview.** A SID is a municipal corporation. In many ways, a SID is similar to a small city or village. A SID is responsible for the construction of public improvements, such as roads and utility service lines, within its geographic boundaries. A SID has taxing authority under Nebraska law, and the owners of real estate located within the SID pay property taxes to the SID in exchange for benefits provided. Unlike other municipal corporations, a SID does not have police power. Services such as police and fire department protection are provided through arrangements with nearby city or county governments.

The majority of a SID's expenditures occur before it has significant tax revenue. Taxes collected by a SID are based upon the assessed value of the real estate within the SID's boundaries. In the beginning, a SID usually consists of unimproved property, and this unimproved property, without street access or utilities, is assessed at a low value per acre or per square foot. The SID expends significant sums of money in installing roads, sewer, power, and other infrastructure. Once these improvements are installed, the values of the lots within the SID's boundaries are increased in value, and are marketable to individual owners.

The owners of lots within the SID will then construct buildings, such as homes, on these individual lots. These buildings will increase the tax base of the SID, in turn increasing the SID's tax income. With the initial improvements installed by the SID in place, the SID's cost of operation may decrease at the same time as the tax income increases.

B. **History of the District.**

i. Formation. The District was formed as a SID under Nebraska law on or about May 2, 2002. The District is a residential development generally located west of 192nd Street between Grover Street and Q Street in Douglas County, Nebraska. The residential development within the District is commonly known as Whitehawk. The

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Development contains seven hundred seven (707) single family and villa lots. Also located within the District are a park and recreation facilities totaling one hundred three (103) acres and the Whitehawk dam site containing approximately thirty-three (33) acres which was a joint project with the District, the City of Omaha and the Papio-Missouri River National Resources District ("PMNRD").

Whitehawk Development, LLC is the developer of the residential property within the District.

ii. Development Status. Of the total seven hundred seven (707) residential lots, six hundred sixty-three (663) lots have partially or fully completed homes constructed. Working with various homebuilders, Whitehawk Development, LLC continues to aggressively market the residential development and encourage construction. There are no lots in the District intended for commercial or multi-family lots. The District has attempted to project revenue from the remaining undeveloped lots under this Disclosure Statement. The additional valuation of the undeveloped vacant lots is estimated at a combined Fifteen Million Four Hundred Thousand and no/100 Dollars ($15,400,000.00) when fully completed homes are constructed and on the tax rolls at their full assessed value.

iii. Present Financial Obligations. The District has outstanding Construction Fund Warrants in the principal amount of Twenty-Three Million Seven Hundred Ninety-Five Thousand Eight Hundred Fifty-Four and no/100 Dollars ($23,795,854.00). The Construction Fund Warrants represent the obligations of the District to be reorganized under the Plan. Pre-Petition Construction Fund Bonds total approximately Eleven Million Three Hundred Thousand and no/100 Dollars ($11,300,000.00).

iv. Full Development Valuation. The expected Tax Base of the development as of the Termination Date is expected to be approximately One Hundred Ninety-Two Million Six Hundred Twenty Thousand and no/100 Dollars ($192,620,000.00). This valuation is based upon an average value of Three Hundred Fifty Thousand and no/100 Dollars ($350,000.00) per lot.

v. Problems in Paying Warrants Upon Maturity. The biggest financial problem facing the District is the fact that the present Tax Base is not sufficient to support the District's debt. Individuals and builders did not build homes as quickly as initially anticipated. This is a function of the fact that the development did not build out as quickly as originally anticipated. Eventually, continued and future construction will raise the Tax Base. The increased Tax Base will then, in turn, increase tax receipts, as well as provide the District the opportunity to issue bonds so that it will manage its debt load. It is expected that continued and future construction will allow the District to pay most of the principal amount of its debts. However, additional time within which to pay the existing warrants is needed for such payments to be made.

The municipal advisor of the District projects that a substantial portion of the outstanding principal amount of construction fund warrant debt can be repaid with annual construction of approximately twenty-two (22) homes per year, at an average assessed value of Three Hundred Fifty Thousand and no/100 Dollars ($350,000.00) over the next approximately three (3) years. The Financial Status Report is attached hereto as Exhibit "B".

vi. Bankruptcy. In analyzing its ability to pay its debts, the District has considered a number of options. Although the District is not in a position to directly control development, it has considered both raising its tax levy to increase current income and decreasing its tax levy to promote development. Ultimately, the District has determined, after careful consideration, that neither of these solutions alone would be sufficient to raise the funds necessary to pay the existing debts as they come due. The District, through its Board of Trustees, came to the difficult conclusion that a restructuring of the District's debt through a Chapter 9 bankruptcy provided the best opportunity to pay all creditors a maximum return.

Although the District has limited power to control the actions of the developer, the developer of the single family lots continues to enact a residential lot marketing plan with the intended result of accelerating sales, construction, valuations and tax income of the District. The marketing plan continues to focus on sales of lots to builders with concessions made to facilitate timely construction and maintain the integrity of the homes already constructed. The acceleration of the construction timeline would increase valuation and tax income to the District.

Therefore, the Board of Trustees of the District authorized the preparation of the Plan of Adjustment, this Disclosure Statement and a Ballot to be disseminated to Construction Fund Warrant Holders of the District.

IV. CLASSES OF CREDITORS

The District has five (5) distinct classes of creditors at this time. In light of and as controlled by Nebraska law, the Code and practical considerations, the debts of these creditors will be paid as follows:

A. **Administrative Expenses.** Administrative expenses are expenses incurred by the District during the course of the bankruptcy. As no party would perform work for a bankruptcy debtor without a guaranty of payment, the Code provides that administrative expenses will be paid in full from the assets of the District. In accordance with the Plan and the Code, all holders of administrative claims will be paid in full, either from available funds held by the District or in the form of General Fund Warrants issued throughout the pendency of the bankruptcy. These expenses can be significant in a bankruptcy which is not approved by creditors prior to filing.

B. **Pre-Petition Bonds.** The Pre-Petition Bonds are granted a special priority under the Nebraska Constitution and State Statutes. The principal and interest of the Pre-Petition Bonds cannot be modified through the terms of a bankruptcy. Therefore, the Pre-Petition Bonds will be paid in full according to their terms under the Bankruptcy Plan.

C. **General Fund Warrants.** General Fund Warrants issued prior to the filing of bankruptcy were issued in payment for services provided directly to the District. Such warrants are issued to contractors providing street repairs, utility companies, and other contractors performing work directly for the District. Retaining these service providers to perform future services to the District in exchange for future General Fund Warrants is important for the District's continued viability. In order to allow the continued operation of the District at standard levels of service, General Fund Warrant Holders shall be paid in accordance with the terms of the warrants issued. Principal and interest on outstanding General Fund Warrants will be paid not later than sixty (60) days following the Effective Date. Also, an initial One Hundred Thousand and no/100 Dollar ($100,000.00) reserve will be established for the General Fund to ensure that the District services will not be interrupted. The General Fund Reserve Fund will eventually total Two Hundred Fifty Thousand and no/100 Dollars ($250,000.00).

D. **Pre-Petition Construction Fund Warrants.** Pre-Petition Construction Fund Warrants currently make up the remainder of the District's debt. For the reasons outlined above, other debts of the District must be paid in full. In a traditional Chapter 9 bankruptcy, Pre-Petition Construction Fund Warrants would be paid some percentage of their value over a period of time and then terminated regardless of the amount repaid. In this case, the District sees the potential to repay Pre-Petition Construction Fund Warrant Holders much greater returns based upon future income of the District.

In exchange for the cancellation of outstanding Pre-Petition Construction Fund Warrants, Pre-Petition Construction Fund Warrant Holders will be provided with Certificates in accordance with the terms of the Plan. The holder of the Certificates may continue to receive payments for as long as fifteen (15) years. This will allow the opportunity for current Pre-Petition Construction Fund Warrant Holders to be paid a greater percentage of their debt, including past and future interest.

As set forth in the Plan, funds will be redistributed from the Construction Fund following approval of the Plan and prior to the Effective Date. These funds will be used as set forth in the Plan to pay administrative expenses and General Fund Warrants, to establish a bond sinking fund, a reserve for the General Fund and to pay an initial distribution to Construction Fund Warrant Holders.

E. **Construction Fund Warrants or Post-Petition Construction Fund Warrants.** Construction Fund Warrants or Post-Petition Construction Fund Warrants may be issued by the District and are payable from the Construction Fund of the District issued in accordance with Neb. Rev. Stat. §31-755 for capital outlay expenditures and interest issued after the Effective Date if the provisions of the Plan have been complied with.

V. DISTRICT OPERATIONS UNDER THE PLAN

The goal of the Plan is three-fold. First, the Plan allows the District to continue operating. Second, the Plan maintains the quality of life of the residents of the District, in turn fostering new construction and creating additional income for the District. Finally, the continued operation of the District, together with the increased income of the District, should be used to repay each and every creditor of the District.

A. **District Operations.** As provided in the Plan, the maximum budget of the District's General Fund is fixed at Four Hundred Fifty Thousand and no/100 Dollars ($450,000.00) with a three percent (3%) per year increase over the prior year's budget. This budget allows for payment of administrative and operating expenses by the issuance of General Fund Warrants as they arise, as well as allowing the District to set aside any excess within this set budget for payment of future expenses. The District may not exceed this budget in any case other than a declaration of emergency under the Plan and may, in the discretion of the Board, reduce the budget below the maximum allowed.

The General Fund Reserve Fund of Two Hundred Fifty Thousand and no/100 Dollars ($250,000.00) of the District, established by the Plan, can be used to fund projects beyond the financial capability of the Budget. The General Fund Reserve Fund shall initially be funded with One Hundred Thousand and no/100 Dollars ($100,000.00). Thereafter, in addition to the maximum General Fund budget amount set forth in Article V.A above, up to Twenty Thousand and no/100 Dollars ($20,000.00) per year can be paid from the General Fund to the General Fund Reserve Fund up to a maximum General Fund Reserve Fund balance of Two Hundred Fifty Thousand and no/100 Dollars ($250,000.00).

B. **Payment of Debt Other than Pre-Petition Construction Fund Warrants.** As

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set forth in the Plan, the remaining income of the District, other than the District's operating budget, will be used in the payment of or preparation for future payment of the Bonds, General Fund Warrants, the Certificates, Construction Fund Warrants, if any, and funding of the District emergency fund. The District will also maintain a sinking fund for repayment of Bonds as they become due of not less than one percent (1%) of the annual principal and interest debt service for such Bonds.

C. **Payment of Existing Pre-Petition Construction Fund Warrant Holders.** The remaining funds of the District not spent or allocated otherwise shall be used solely for the repayment of the current Pre-Petition Construction Fund Warrant Holders. The Pre-Petition Construction Fund Warrant Holders will exchange their Pre-Petition Construction Fund Warrants for Certificates, issued in accordance with the terms of the Plan. These Certificates will be issued in the amount of principal and interest owed by the District to the Pre-Petition Construction Fund Warrant Holder with interest continuing to the issuance thereof on the Effective Date. Thereafter, the Certificates shall bear compound interest at the rate of four percent (4%) annually on the unpaid principal balance of the Certificates. The Certificates will be paid, first principal and then interest, until all outstanding amounts on the Certificates are paid in full or until the fifteen (15) year term of the Plan expires.

D. **Projected Repayment of Certificate Holders.** As outlined above, the Plan takes a fairly simple approach to the repayment of Certificate holders. All other expenses of the District are either fixed or minimized. The District is not given the discretion to spend any of its available income other than as determined by the Plan during the term when Certificates are outstanding. The projected increase in property values, and the related increase in the District's income, inures to the benefit of the Certificate holders. Based upon reasonable projections of the rate of construction and the value of homes to be constructed, the District has prepared a range of financial projections attached hereto as Exhibit "B". Payments on Certificates will continue to be made throughout the term of the Plan.

Within ninety (90) days following the Effective Date, the District will distribute an estimated Three Million Six Hundred Thousand and no/100 Dollars ($3,600,000.00) from the Construction Fund to the Construction Fund Certificate Fund/Certificate Holders.

As soon as possible, but not later than six (6) months after the Effective Date, the District will propose to issue Five Million and no/100 Dollars ($5,000,000.00) in new Post-Petition Bonds. The net proceeds of the Post-Petition Bond issue will be paid to the Construction Fund/Certificate Holders. The financial projection with respect to the Post-Petition Bond issue is attached as Exhibit "C".

Future construction and valuation will provide income to the District, and payment to Certificate holders, in two ways. First, the taxes directly paid to the District will increase. Second, increased valuation provides the District the opportunity to issue additional Post-Petition Bonds. The sale of such Post-Petition Bonds would provide funds with which the District would make payments on the Certificates.

For accounting purposes, the Certificates will accrue interest on the unpaid principal balance with payments made on the Certificates by the District applied first to principal and then to interest on the Certificates.

The District believes these projections to be reasonable. The District has based the projections upon current valuations of existing homes and historical and expected construction rates. However, it is important to understand that these projections carry some uncertainty. The two variables affecting the income of the District – the number of homes built and the average

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value of such homes – may vary for a number of reasons. The cost of construction, the local real estate market and the regional and national economy, among other factors, will all affect the District on a year-to-year basis. A housing boom combined with general economic growth may show these projections to be overly conservative. In the event of a prolonged downturn in the housing market, the actual income of the District may not reach the projected levels. Notwithstanding these market forces, the fifteen (15) year term of the Plan allows for a few good years to make up for a few bad years as the case may be.

"Plan Year" as used in this section shall mean each one year period during the term of this Plan which ends on the Termination Date beginning with the Confirmation Date.

A final Post-Petition Bond issuance, as outlined in the Plan will allow future tax income for the twenty (20) years following the Termination Date to be captured at that time and paid to the Certificate holders in final distribution if complete distribution and payment in full has not been made previously.

The projections shown are not guaranties of repayment. They are provided by the District to allow the creditors to make an informed decision as to the variables effecting the amount and time of repayment of the Plan.

E. **Additional Expenditures.** This Disclosure Statement does not attempt to set forth each and every aspect of the District's operations under the Plan. The Plan should be reviewed together with this Disclosure Statement. Uncommon expenses of the District are subject to change based upon the Plan as submitted and approved by the creditors of the District and the Bankruptcy Court.

F. **Redemption of Pre-Petition Construction Fund Warrants.** Once the Plan is approved, Pre-Petition Construction Fund Warrant Holders will receive information outlining the

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procedure for exchanging their warrants for Certificates. The Pre-Petition Construction Fund Warrants will no longer be of any value following the expiration of the exchange. As the finances of the District allow, Certificate holders will receive payment in accordance with the terms of the Plan until paid in full or until fifteen (15) years have elapsed. The Certificates will be freely transferable. A secondary market may exist for the sale of these Certificates at some time in the future.

VI. CONFIRMATION OF PLAN

Pre-Petition Construction Fund Warrant Holders are the only creditors required to exchange the securities they currently hold under the Plan. The Pre-Petition Construction Fund Warrant Holders are the only class of creditors required to approve the Plan. Pre-Petition Construction Fund Warrant Holders will be provided a ballot to select their approval or disapproval of the Plan. The Plan, if approved by one-half (1/2) in number and two-thirds (2/3) in value of those Pre-Petition Construction Fund Warrant Holders voting, will likely be confirmed by the Bankruptcy Court.

Dated this 8th day of December, 2016.

SANITARY AND IMPROVEMENT DISTRICT #476 OF DOUGLAS COUNTY NEBRASKA,
Debtor

By: /s/ Mark J. LaPuzza

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EXHIBIT "A"

Disclaimer

No warranty is intended or implied as to the accuracy or adequacy of the data presented or opinions expressed in the Disclosure Statement or the Plan. No creditor or interested party should construe any of the data provided by or recommendation made by Debtor's counsel, Pansing Hogan Ernst & Bachman, LLP, by the Debtor's underwriter, Ameritas Investment Corp., the Debtor's municipal advisor, D.A. Davidson & Co., bond counsel, Baird Holm LLP, or Debtor's auditor, Lutz & Company, PC, is warranted as to the accuracy and adequacy of the contents of the text of the Disclosure Statement or the Plan. No dealer, broker, salesman, or other person has been authorized by the Debtor to give information or make any representations binding upon the Debtor other than set out in the Disclosure Statement and the Plan.

The information and opinions expressed in this Disclosure Statement and the Plan are subject to change and neither the delivery of said Disclosure Statement and the Plan, nor the acceptance of the Plan by the Court, nor the exchange of securities, if any, made by creditors or holders of securities of the Debtor, shall create an implication that there has been no change in the information or opinions set forth in this Disclosure Statement or the Plan. Any proposed plan of exchange of securities and any projections made regarding the possible or probable recovery or the value of any instrument made in any series or type of security or debt instrument of the Debtor is contingent upon a variety of circumstances and conditions that the holder of any class of securities or debt of the Debtor accepts and assumes all risks as to the ability of the Debtor to meet its obligations under any Plan ultimately confirmed by the Bankruptcy Court.

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EXHIBIT "B"

See the attached.

Ameritas. fulfilling life.

Ameritas Investment Corp.
440 Regency Parkway Drive, Suite 222
Omaha, NE 68114
402.384.8100
Member FINRA/SIPC

Douglas County SID 476 - Whitehawk

Year SID Formed	2002
Location	196th & Grover
Financial Status Report	9/15/2016

Taxable Valuation

		Value
2012	$	124,134,744.00
2013	$	132,543,800.00
2014	$	149,209,300.00
2015	$	168,479,080.00
2016	$	177,208,150.00

Taxable Valuation Projections

2017	***$***	***182,556,410.00***	***20 new homes***
2018	***$***	***187,904,670.00***	***20 new homes***
2019	***$***	***192,183,278.00***	***16 new homes***

Cash & Investments

		General Fund	Bond Fund
9/15/2016	$	253,017.86	5,473,702.99

Special Assessments

		Uncollected Principal		Uncollected Interest		Uncollected Principal & Interest
9/15/2016	$	297,073.27	$	376,716.80	$	673,790.07

Bonds Outstanding

Date of Issuance		Issue Amount		Balance	Maturity
12/15/2007	$	5,000,000	$	1,100,000	12/15/2023 - 2024
1/15/2013	$	7,450,000	$	6,685,000	1/15/2017 - 2033
11/17/2015	$	3,515,000	$	3,515,000	12/15/2017 - 2027
	$	15,965,000	$	11,300,000	

Warrants Outstanding

	General Fund		Construction Fund
$	-	$	23,795,854.32

Levy

		2016/17 Rate per $100		Est. Tax Revenue
Bond Fund	$	0.6500	$	1,151,852.98
General Fund	$	0.2500	$	443,020.38
	$	0.9000	$	1,594,873.35

Debt to 2016 Value	19.8049%
Net Debt to 2016 Value	16.3358%

House Counts (Estimates)

House on Tax Roles (2016)	651
Completed or Under Construction	16
Lots	40
Total Lots	707

Average Home Taxable Valution	$267,413

EXHIBIT "C"

See the attached.

Douglas County SID 476 - Whitehawk

Year SID Formed	2002
Location	196th & Grover
Financial Status Report	9/15/2016

Debt Service on Outstanding and Projected Post Petition Bonds

	Series 2007	Series 2013	Series 2015	Post Petition
Bonds Outstanding	$ 1,100,000	$ 6,685,000	$ 3,515,000	$ 5,000,000
Maturity	12/15/2024	1/15/2033	12/15/2027	12/15/2041
Average Interest Rate	5.400%	3.858%	3.826%	4.250%

Calendar Year	Series 2007 Debt Service	Series 2013 Debt Service	Series 2015 Debt Service	Outstanding Debt Service	Estimated Post Petition Bond Debt Service (1)	Estimated Combined Debt Service
2016	29,700.00		196,870.00	226,570.00		226,570.00
2017	59,400.00	510,270.00	271,512.50	841,182.50	212,500.00	1,053,682.50
2018	59,400.00	514,385.00	268,662.50	842,447.50	212,500.00	1,054,947.50
2019	59,400.00	517,710.00	260,362.50	837,472.50	212,500.00	1,049,972.50
2020	59,400.00	525,062.50	271,810.00	856,272.50	262,500.00	1,118,772.50
2021	59,400.00	536,170.00	267,490.00	863,060.00	210,375.00	1,073,435.00
2022	59,400.00	550,882.50	632,770.00	1,243,052.50	210,375.00	1,453,427.50
2023	584,400.00	190,380.00	85,280.00	860,060.00	210,375.00	1,070,435.00
2024	606,050.00	190,380.00	85,280.00	881,710.00	210,375.00	1,092,085.00
2025		229,710.00	700,280.00	929,990.00	210,375.00	1,140,365.00
2026		321,677.50	710,680.00	1,032,357.50	210,375.00	1,242,732.50
2027		184,315.00	854,030.00	1,038,345.00	210,375.00	1,248,720.00
2028		866,457.50		866,457.50	210,375.00	1,076,832.50

2029	854,400.00	854,400.00	210,375.00	1,064,775.00
2030	889,700.00	889,700.00	210,375.00	1,100,075.00
2031	883,200.00	883,200.00	210,375.00	1,093,575.00
2032	885,500.00	885,500.00	210,375.00	1,095,875.00
2033	861,900.00	861,900.00	210,375.00	1,072,275.00
2034		0.00	745,375.00	745,375.00
2035		0.00	742,637.50	742,637.50
2036			744,050.00	744,050.00
2037			744,400.00	744,400.00
2038			743,687.50	743,687.50
2039			741,912.50	741,912.50
2040			739,075.00	739,075.00
2041			740,175.00	740,175.00

(1) Post Petition Bonds (within 6 months of Effective Date) will be when as and if issued in an amount and at interest rates that are supported by the existing market conditions at the time of issuance and supported by the bond levy designated within the Plan of Adjustment.

The Plan of Adjustment obligates the District to issue Post Petition Bonds in the manner that would be advantageous to the District and the Certificate Holders. The District is specifically obligated to issue Post Petition Bonds in the six months prior to the Termination Date in a maximum amount supported by the the combined total tax levy of Ninety Cents ($0.90).